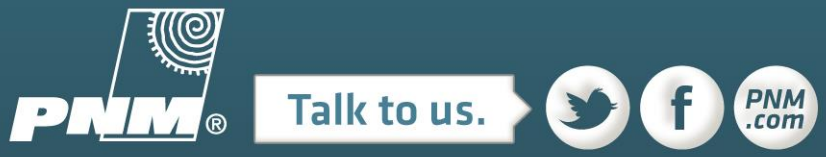
Revenue, Infrastructure and Impact of the Changing Utility Environment

Presentation to Revenue Stabilization and Tax Policy Committee

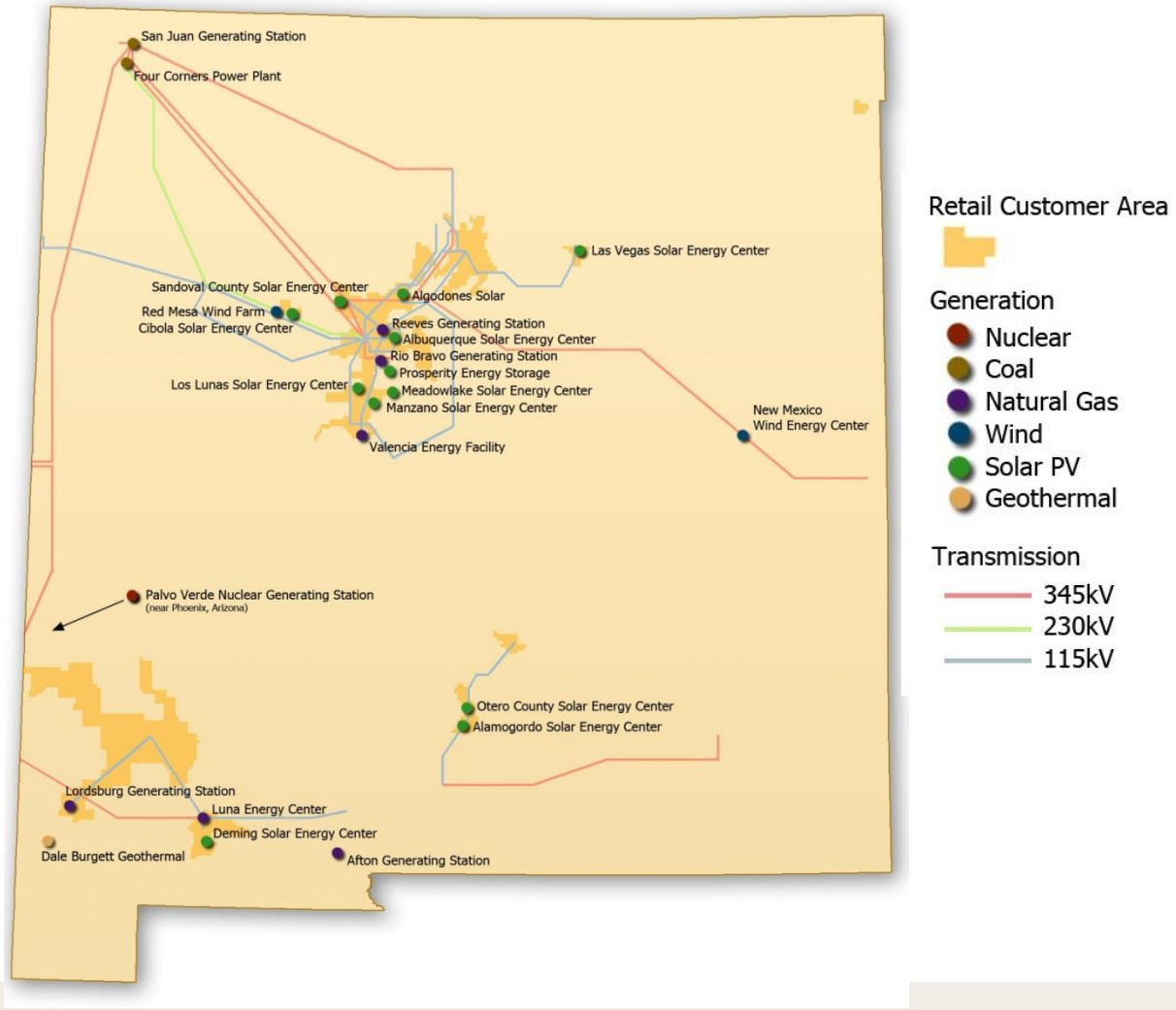
RON DARNELL - SENIOR VICE PRESIDENT, PUBLIC POLICY
MATTHEW JARAMILLO - STATE GOVERNMENTAL AFFAIRS



AUGUST 13, 2015

PNM OVERVIEW - SERVICE TERRITORY & GENERATION FACILITIES

- Regulated utility focused on ***Reliability, Affordability*** and ***Environmental Stewardship***
- Only NYSE traded company headquartered in New Mexico
- Employees over 1,500 employees
- Serving 512,960 customers in 40 communities
- 14,763 miles of transmission and distribution lines
- 2,707 MW generation capacity
- Top quartile reliability
- Affordable rates
- One of the top companies in the nation for diversity (Hispanic Business Inc.)



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PNM OVERVIEW - A TRUE NEW MEXICO COMPANY

PNM ranks in the top 25% for ***affordability*** in the west and among the top 25% of utilities in the nation for ***reliability***

- A top taxpayer in New Mexico
  - Providing $137 million in taxable wages
  - In 2014, paid $22.8 million in N.M. property taxes and $57.7 million in N.M. GRT taxes
- Purchases $203 million in N.M. goods and services annually
- Contributes over $3 million to support our communities and local nonprofits
- Investing ~ $270 million in 15 large-scale solar facilities throughout the state

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PNM OVERVIEW - REGULATORY UPDATE

Filing	Action	Timing	Docket No.
PNM:			
BART Filing	Filed Dec. 20, 2013	Final approval expected Q4 2015	13-00390-UT
NMPRC 2016 Renewable Plan	Filed June 1, 2015	Final approval expected Q4 2015	15-00166-UT
San Juan Generating Station Natural Gas Plant CCN Application	Filed June 30, 2015	Hearing Examiner assigned on July 15; approval expected March – Oct. 2016	15-00205-UT
Future Test Year Notice of Inquiry	Issued July 15, 2015	Status report to be prepared by Aug. 12	15-00216-UT
2015 Rate Case	Filed late August		
FERC:			
Transmission Formula Rates	Filed Dec. 31, 2012	Settlement filed March 20, 2015 with rates effective April 1, 2015	ER13-685-000 & ER13-690-000

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Under U.S. EPA rules, San Juan Generating Station (SJGS) must reduce emissions to reduce haze and improve visibility in the Four Corners area:

The Revised State Implementation Plan (RSIP)

- Retire SJGS Units 2 & 3 by the end of 2017
- Install selective non-catalytic reduction (SNCR) emissions reduction technology on Units 1 & 4, reducing seven haze-causing emissions
- Replace retired generation capacity with of solar, low-emission natural gas, and existing zero-emission nuclear power

The Benefit of the RSIP

- Puts N.M. on a path towards compliance with new carbon regulations proposed by the U.S. EPA
- Protects hundreds of jobs in the Four Corners area
- ***Reduces*** coal capacity by 50%, emissions by 50%, and water usage by 50%
- New coal supply contract will save customers ~ $340 million

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PNM's stated goal is to balance environmental benefits with affordability and reliability while minimizing the economic impact to the state.

San Juan Generating Station Facts (2013):

Full Time Employees	401 (24% Navajo)
Annual Payroll	$57.3 million
SJ County Property Tax	$5.03 million
SJGS Vendor Payments	$147.4 million

- New coal agreement will provide $340 million in savings to customers over the next six years
- Implemented the PNM Navajo Nation Workforce Training Program
- PNM partnered with the Four Corners Economic Development to market and promote the area for future opportunities

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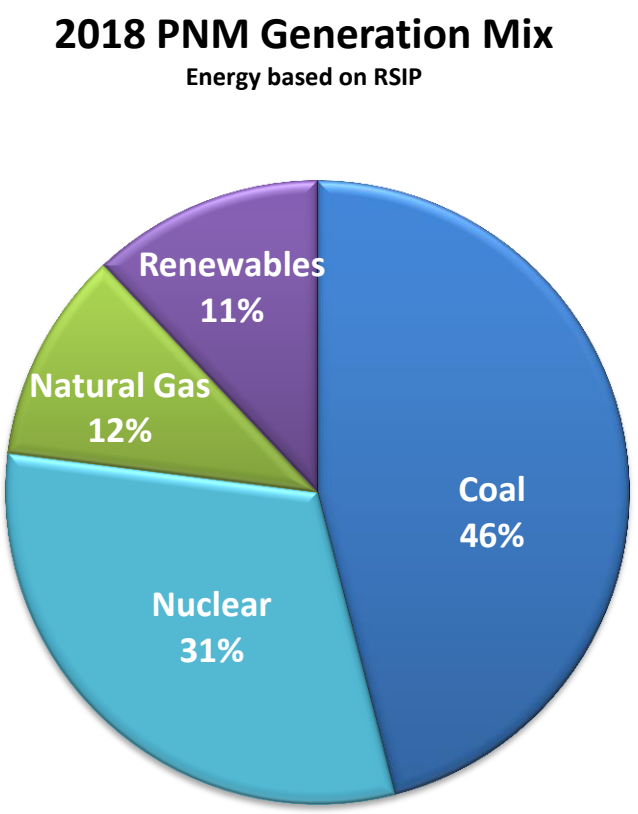
Affordability: Fuel diversity helps to protect consumers from contingencies such as fuel unavailability and fuel price fluctuations

Reliability: Variety of generation sources help to maintain reliability during extreme conditions

Resiliency & Security: Provides greater ability to respond to outages and security threats

Renewables Expansion: Enables cost-effective growth and integration of renewable resources

Environmental Compliance: Enables more flexible and affordable approaches for compliance with regulations



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NECESSITY OF THE POWER GRID - KEEPING YOU CONNECTED 24/7

- Customers want a reliable grid that delivers energy they need when they need it
- Instead of a simple “one-way” distribution system, the grid needs to become a sophisticated and dynamic integrated network
  - Makes possible the use of clean energy resources
  - Allows for customer control and choices
  - Enables efficient new technologies and innovation to all be interconnected
- Resiliency is necessary for our businesses, the economy and our national security
- If everyone benefits from the electric grid, everyone should contribute to the grid like we do with roads and education

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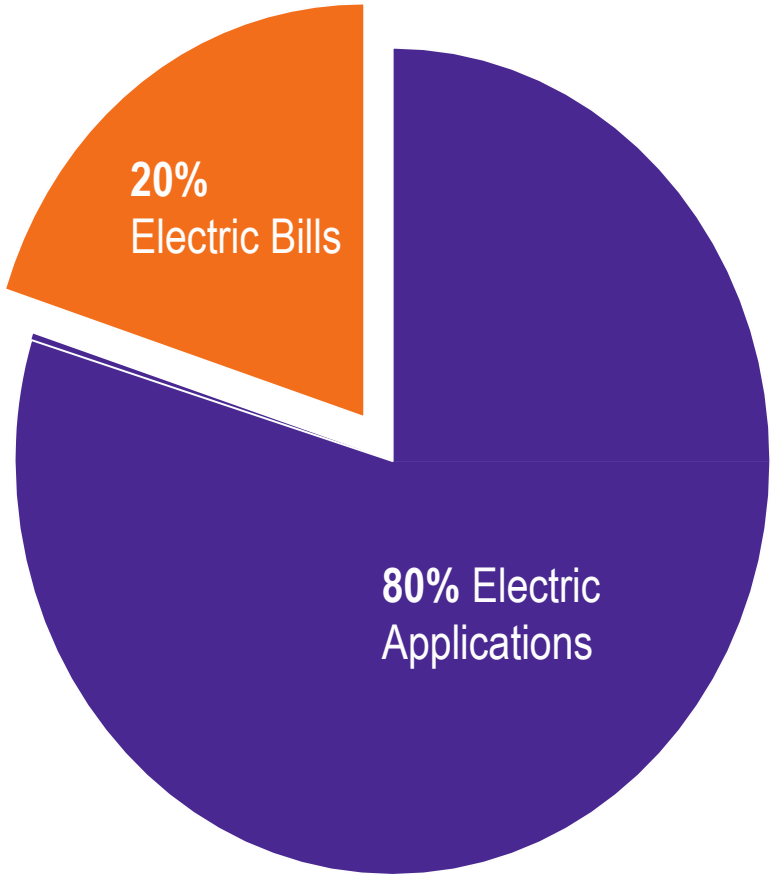
WE NOW SPEND 4X MORE ON ELECTRIC APPLICATIONS THAN ON ELECTRIC BILLS



Electric Applications (80%)		
Consumable	Landline and cellular phone services	20%
	Internet access	10%
	Repair of household appliances, audio-visual, and computer equipment	2%
	Cable and satellite television, radio services, video media rental	11%
Durable	Personal computers, software, and accessories	12%
	Television, audio, and video equipment	13%
	Household appliances, therapeutic medical equipment, telephone and facsimile equipment, electric appliances for personal care	12%

Source: Bureau of Economic Analysis Gross Domestic Product Survey and Edison Electric Institute/David Owens

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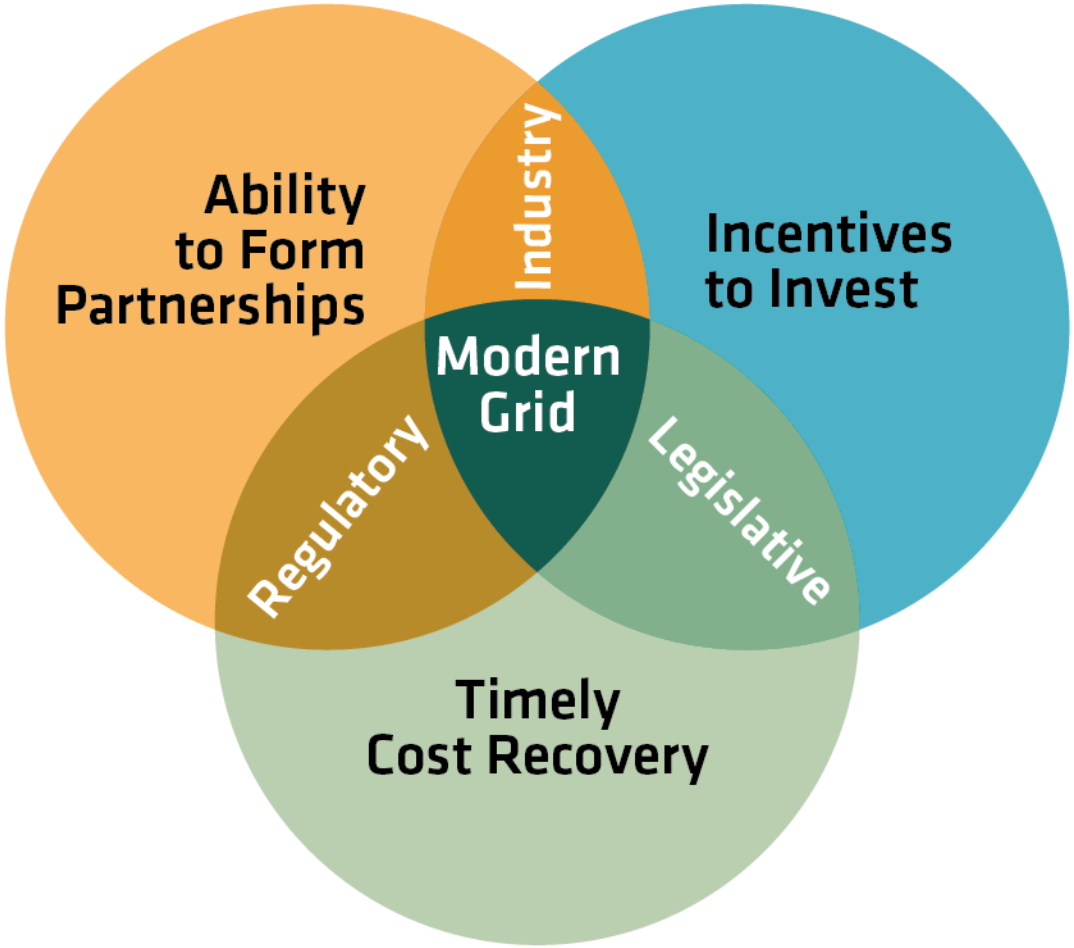
GRID OF THE FUTURE - MODERN, EFFICIENT, RELIABLE, AND SAFE



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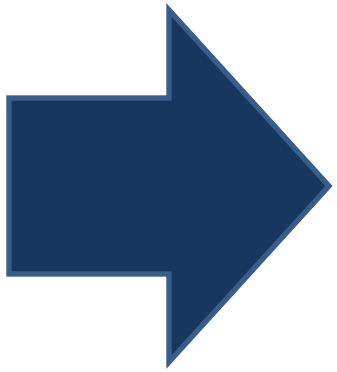
CONCLUSION

Resiliency and Necessity of the PNM Grid System

Balanced Rate Design

Opportunities for Dialogue on Incorporating New Technologies



Reliability

- Sufficient capacity the system can rely on
- Fuel Diversity

Affordability

- Low cost/efficient system
- Reasonable return / sustained investment

Environmental Responsibility

- Achieve carbon targets
- Reduce other pollutants

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Thank you